

**OKANOGAN COUNTY FIRE DISTRICT NO. 6**  
**Okanogan County, Washington**  
**January 1, 1992 Through December 31, 1994**

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**Schedule Of Findings**

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1. Fire District No. 6 Should Comply With State Laws Regarding Beneficial Interest In Contracts

During our review of district records, we noted services performed by Methow Valley Repair and Sales, a business managed by Larry Smith, Fire District No. 6 Twisp Rural Fire Chief, and owned by Larry Smith's mother. As shown below, the district exceeded the \$750 monthly limit on services provided by Methow Valley Repair and Sales:

<u>Month of Service</u>	<u>Total of Charges</u>
January 1994	\$1,479.10
February 1994	\$ 988.58
March 1994	\$1,245.47

RCW 42.23.030 states in part:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein. This section shall not apply in the following cases . . .

(6) The letting of any other contract . . . by a municipality . . . PROVIDED, That the total volume of business represented by such contract or contracts in which a particular officer is interested, singly or in the aggregate, as measured by the dollar amount of the municipality's liability thereunder, shall not exceed seven hundred fifty dollars in any calendar month . . . .

The definition of a municipal officer and a contract as found in RCW 42.23.020 states in part:

(2) "Municipal officer" and "officer" shall each include all elected and appointed officers of a municipality, together with all deputies and assistants of such an officer, and all persons exercising or undertaking to exercise any of the powers or functions of a municipal officer . . .

(3) "Contract" shall include any contract, sale, lease or purchase . . . .

RCW 42.23.050 further states:

Any contract made in violation of the provisions of this act shall be void and the performance thereof, in full or in part, by a contracting party shall not be the basis of any claim against the municipality. Any officer violating the provisions of this act shall be liable to the municipality of which he is an officer for a penalty in the amount of three hundred dollars, in addition to such other civil or criminal liability or penalty as may otherwise be imposed upon him by law.

In addition to all other penalties, civil or criminal, the violation by any officer of the provisions of this act shall work a forfeiture of his office.

We previously issued a finding for noncompliance with conflict of interest laws concerning Larry Smith, then a district commissioner, for the audit period January 1, 1983, through December 31, 1985. In addition, on November 12, 1992, we provided Larry Smith, then chairman of the board, our interpretation of the RCW stating that fire chiefs are officers of the district.

Although Larry Smith forfeited his position as district commissioner prior to this work being done, he remains an officer of the district as defined by law.

We recommend the Washington State Office of Attorney General and the Okanogan County Prosecuting Attorney review this matter to determine its effect, if any, on the contracts between Okanogan County Fire District No. 6 and Methow Valley Repair and Sales, and to determine whether any civil or criminal penalties should be imposed.

2. Okanogan County Fire District No. 6 Should Comply With State Bid Procedures

In November 1994, Okanogan County Fire District No. 6 called for bids on two fire trucks. Public notice of the call for bids was published for one week in two newspapers of general circulation. The original date for the bid opening was set for November 21, 1994, but was extended without public notification to December 12, 1994.

RCW 52.14.120 states in part:

(1) Notice of the call for bids shall be given . . . by publication once each week for two consecutive weeks.

By not following bid law procedures, the district cannot be assured of obtaining equipment at the lowest prices or that all interested parties were made aware of the extended period of time available to submit a bid.

The district was unaware of the requirement to publish the bid call for two consecutive weeks.

We recommend the district comply with bid law procedures in the future.

3. Controls Over District Receipts Should Be Improved

During our audit, we noted a lack of internal controls over cash collections as described below:

- a. The district uses generic Rediform receipts for all local receipts.
- b. The district does not receipt all moneys received.

Although such receipt forms are prenumbered, duplicate receipt numbers are easily obtained. The availability of duplicate numbered receipt books creates the risk that cash could be taken for personal purposes with the substitution of a duplicate receipt.

By not receipting all moneys, the accountability of the district's revenue is hindered.

District officials were unaware of the potential risk resulting from these weak internal controls.

We recommend district officials discontinue the use of generic rediform receipts. Instead, the district should issue official numbered receipts with the district's name imprinted on them.

We further recommend the district receipt all moneys received and implement adequate internal control procedures to safeguard district cash.